

# FOREIGN POLICY BULLETIN

*An analysis of current international events*



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## ***Do Moscow Changes Portend Russian Isolationism?***

WASHINGTON—The Truman administration intends to be armed with the North Atlantic pact before it determines whether the recent changes in the Soviet government will make it possible for East and West to come to terms. The general assumption in Washington is that Moscow changed nothing fundamental when Andrei Y. Vishinsky replaced Vyacheslav M. Molotov as Foreign Minister and Michael A. Menshikov replaced A. I. Mikoyan as Minister of Foreign Trade. With that attitude, Secretary of State Dean Acheson welcomed the arrival in Washington of Gustav Rasmussen, Foreign Minister of Denmark, on March 10, and of Bjarni Benediktsson, Foreign Minister of Iceland, on March 13 for discussions on the probable participation of their two countries in the impending Atlantic alliance, which is meant to strengthen the West vis-à-vis Russia. Italian Ambassador Alberto Tarchiani in Washington on March 9 informed his government that an invitation from the United States to Italy to take part in the alliance was imminent, and the Italian government has authorized Premier Alcide de Gasperi to accept the invitation. Democratic leaders at the Capitol predict that the Senate will approve the pact.

### ***Soviet Changes Unexplained***

Elsewhere, also, the Administration has indicated that it does not regard the Soviet reorganization as reason for modifying the American policy of containment adopted two years ago. Yet the curiosity of American officials about the ultimate implications for Soviet policy of the ministerial

changes is great. The interpreters searching for light are particularly interested in the action of *Pravda*, the official Communist newspaper in Moscow, in republishing on March 10 a speech which Premier Stalin had made in March 1939, before the elevation of Molotov to the Foreign Ministry. At that time Russia was preparing to detach itself from involvement in the gathering conflict between Germany and the West which led to war in September 1939. Stalin in this speech called upon Russia to carry out a policy of peace and to strengthen commercial ties with every country, to stay out of war, to build up the Soviet military strength, and to solidify the ties of friendship with workers of all nations.

The program is essentially isolationist or at least reflects a policy of aloofness. Similarities exist in the situations of 1939 and 1949, despite the fact that ten years ago Russia determined to stay aloof from a world crisis precipitated by Germany. Now it is confronted with a crisis which its own policies have precipitated, or helped to precipitate. Taking the speech point by point, we see that Russia may hope to preserve peace by a firm stand—by refusing Western demands that it relax its influence in Eastern Germany, but by refraining at the same time from directly extending its influence into new areas. The speech implies a policy of no military aggression: The desire to strengthen commercial ties may imply a hope for an increased flow of trade between Eastern and Western Europe, for a share in the commerce of Communist China, and for a relaxation of the American ban on

shipment of industrial materials from the United States to Russia. The statement on commerce reflects the Russian attitude in the international wheat conference in Washington, where the Soviet representatives have consistently shown interest in obtaining an important place in the world grain trade. But does it mean that Russia is willing to lift the economic blockade of Yugoslavia while General Tito is still Premier there? The Eastern European press and radio every day condemn Tito's policy of national deviation from the instructions of the Communist Information Bureau.

### ***Armies and Communists***

The Soviet Union already is following in 1949 the 1939 advice of Stalin to build up the Soviet military strength. Russian Finance Minister Arseny G. Sverev told the Supreme Soviet on March 10 that the government intended to spend the equivalent of \$15 billion for the armed forces this year, an increase of 20 per cent above 1948. In Russian currency, the 1949 budget assigns 79 billion rubles to the Military, compared with 66 billion in 1948. While the Soviets have given no sign that they intend to dispatch their armed forces across any sovereign border, they possess in the existence of Communist parties abroad a mechanism for making themselves influential beyond their borders without inviting war through military action. The key portion of Stalin's speech may be its recommendation that Russia solidify the ties of friendship with workers of all nations. Do "workers" mean "Communist parties"?

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One line of speculation in Washington stresses the possibility that it will be Foreign Minister Vishinsky's task to vitalize Communist parties everywhere by carrying forward the changeover begun

in 1948 from the large parties of the popular-front type to the hard-disciplined cadres of small but vigorous units such as the Hungarian party has lately become. Whatever the government changes

portend, no evidence arises yet that they constitute a prologue to a new series of overtures for reconciliation with America.

BLAIR BOLLES

## France Seeks Recovery Through Mixed Economy

PARIS—What would the French consider as objectives important to live for in a world made chaotic by two world wars and the ever-present threat of a third? Improvement in the standard of living certainly looms here as an important objective. The crowds that day after day have been taking by assault the exhibition of *Arts Ménagers* (Domestic Arts) where the latest labor-saving devices for the home are temptingly displayed, indicate the keen desire of French housewives to make life easier and better—although for the time being such appliances are out of reach of the average pocketbook. And it is interesting that in discussions about relations between West and East, many thoughtful Frenchmen believe the United States, instead of denouncing communism and Russia, should concentrate its convincing advertising talents on demonstrating, by concrete facts and figures, that material conditions of life in Western countries are incalculably superior to those of Russia and its Eastern European neighbors. For, say the practical Frenchmen, the Communists are promising not happiness in another world, as do some religions, but comforts and conveniences for the masses, right now, in their own lifetime. On this plane, they contend, the United States is in an excellent position to puncture Communist promises.

### France's Recovery Efforts

The French themselves are working hard not merely to rebuild those sectors of the nation's economy that suffered most from war destruction but, what is more significant over the long run, to modernize and re-equip industry and agriculture along the general lines of the four-year plan worked out by Jean Monnet and his associates and launched in 1947. The main objective of this plan is to provide France's economy with the tools and the technical know-how that would not only transform it into a modern industrial and agricultural state but would considerably increase its capacity to export. The fulfillment of this plan has been greatly speeded by the aid France has received under the ERP, first through the possibility of obtaining

sufficient food and fuel to start the economic wheels turning and, more recently, through the opportunity of acquiring in the United States tools and machinery essential for the renovation of industry and agriculture.

It is interesting to learn from American technical experts that they consider the French peculiarly gifted for the complex operations of modern industry. Both French workers and farmers, they say, are intensely interested in acquiring new skills, in learning the intricacies of new machines, and are more ready than the British to adapt themselves rapidly to modern conditions of production. American observers are also impressed by the degree of give and take, of genuine solidarity, that they have found in French factories between workers and employers. They venture the opinion that France, in far greater measure than Britain even under a Labor government, has achieved economic and social democracy within the factory.

### Liberalism or "Dirigisme"?

Now that the period of "great penuries," to use a Monnet report phrase, is over and France can go ahead with accelerated rhythm toward the reorganization and modernization of its economy, a lively discussion has developed between those who advocate "liberalism," which in this context usually means abandonment of most controls and return to relatively untrammelled market economy, and *dirigisme* which in debates of this kind is usually identified with such government controls. Most impartial observers, both French and American, agree that without an over-all framework of postwar national development France's economy would have remained dangerously disorganized, and consequently unable to make effective use of ERP aid.

At the present time France has a mixed economy, with a sector of nationalized key enterprises (railways, gas and electricity, coal mining, the principal banks), and the remaining sectors in the hands of private entrepreneurs. The administration of some of the nationalized enterprises

has been under fire for inefficiency, but it is generally admitted that the main defects are now in process of being corrected. According to American observers, railways, gas and electricity are excellently run. Coal mining has suffered both from a decline in output common to all Europe and from the effects of the strike staged last autumn but is now making a promising recovery. The deeply rooted individualism of the French, in any case, operates as a constant check on expansion of the nationalized sector, and as a stimulus to small private enterprises—which perhaps are too numerous for the good of the consumer, according to some analysts.

French opponents of *dirigisme* find it difficult to understand why the United States has permitted the allocation of counterpart funds—local currency deposited by recipient governments as counterpart of American grants—primarily to nationalized enterprises, notably for the construction of power plants, the building and improvement of coal-mining installations, and the reconstruction and re-equipment of French railroads. The American answer to this comment is twofold: first, the United States neither has the right under the ERP, nor the desire, to interfere in the economies of recipient countries; and, second, without rehabilitation of France's basic enterprises—electricity, railways, coal—further economic development, however administered, would prove impractical.

The larger objective both of the Monnet plan and of the ECA here is to develop French production to the point where France can export enough to pay for its imports. To do this France will have to find new markets and expand the output of new exports for established markets. Britain, for instance, because of its own rehabilitation needs, is not in a position to import on a large scale such traditional French exports as wines, perfumes, silks and other luxury goods. The Monnet plan has therefore recently undergone an important change, providing for increased French agricultural production, particularly through the use of mod-

ern farm machinery, so as to enable France to furnish Britain with wheat and meat.

France is thus not merely interested in its own recovery and modernization but in the economic co-operation it seeks to

develop with other countries of Western Europe—economic co-operation which, it is hoped here, might lay a solid basis for some form of European union. Such a larger objective could conceivably give

the French a goal greater than purely self-centered material well-being to live and work for in the future.

VERA MICHELES DEAN

(Second of three articles on current trends in France.)

## ***Talks on Austria Test Great Powers' Will to Agree***

A test case of the ability of the four great powers to reach agreement is now developing in London where the deputies of the Council of Foreign Ministers have been negotiating since February 9 on the terms of an Austrian treaty under which the occupation forces may be withdrawn. The chief differences have arisen over Yugoslavia's claims for territorial changes, minority guarantees and reparations at Austria's expense—claims which are being supported by the Soviet Union and opposed by the Western powers.

### ***Obstacles to Agreement***

A second major obstacle to agreement lies in Russia's insistence on a broad interpretation of its rights over former German assets. If granted, Washington feels, these concessions would permit Soviet domination over the economic life of Austria with the result that political independence would be jeopardized. A French compromise proposal has brought the two positions within sight of agreement, the chief obstacle now being not so much the percentages of oil, shipping and other assets involved, as the determination of just what properties and rights should be listed.

Other questions include: 1) Soviet demands for compulsory repatriation of refugees and displaced persons, opposed by the Western powers; 2) the complex issue of whether Austria should be permitted to purchase arms abroad and carry on research relating to armament; 3) differences over the extent of restitution for property of UN nationals previously confiscated; and 4) Russian opposition to the desire of the Western states for an international pledge of Austria's independence and territorial integrity. While these issues undoubtedly present many obstacles to a settlement, the underlying question is the extent to which the major powers themselves really desire to reach agreement.

The Soviet Union, for its part, derives important military and economic advantages from the *status quo*. These involve: 1) the right to keep troops not only in Eastern Austria, but also in a

communications corridor through Hungary and Rumania; and 2) the *de facto* control of a substantial part of Austria's industrial plan which, under a Russian administered monopoly (USIA), supplies goods to the Soviet Union without giving Austria the benefits of foreign exchange or taxes.

On the other hand the U.S.S.R. would obtain several advantages from a treaty. In the "cold war" it would be a demonstration of Russia's will for peace, and thereby a means of weakening support for the Atlantic pact in so far as it is based on fear of Soviet aggression. The consolidation of Communist regimes in Eastern Europe makes the continued presence of Russian troops unnecessary. Indeed, from the Kremlin's point of view, it might be desirable to withdraw these troops since every soldier abroad runs the risk of "contamination" and since, in Austria, the presence of Russian occupation forces appears to strengthen the widespread anti-Communist sentiment. In the economic field it is thought that the Russians have devised technical means of influencing important Austrian industries, which will continue to prove effective after withdrawal. Finally, some observers have attached importance to the opportunity the treaty negotiations give Moscow of putting Marshal Tito's government in a difficult situation.

### ***American Position***

The United States has every reason for withdrawing from Austria provided there is some assurance that the country will be able to maintain its independence of Russia. Not only would the treaty constitute another step toward alleviating postwar tensions, but it would mean the withdrawal of Russian troops from Austria, Hungary and Rumania. At the same time it would abolish an important item of American expenditure. Directly, it would eliminate United States occupation expenditures. Indirectly, by easing the burden on the Austrian economy which has so far spent some \$500 million to pay the occupation costs of Britain, France and Russia, it would reduce the

amount of ECA aid needed in the future. An Austrian treaty would also obviate the risks of creating a second "Berlin" which might confront Washington with a serious problem since Vienna's airports are outside the city in Russian-occupied territory. France and Britain support substantially the same position as the United States.

The attitude of the Austrian government reflects strong popular sentiment which is growing extremely restive under the burden of occupation. Whatever fears may exist in Vienna of some attempted post-treaty Communist *putsch* are more than counterbalanced by the knowledge of strong popular support for the anti-Communist coalition government which received about 90 per cent of the vote in the elections of November 25, 1945, as against 5 per cent for the Communists. At the same time the Austrian leaders are confident that overt Soviet intervention after withdrawal of the armies would be met by immediate Western aid. Meanwhile the government wishes to throw off the paralyzing burden of occupation costs. It seeks escape from the continuing fear that hostilities may break out between the occupying powers with the Austrians themselves the immediate victims. It wants to eliminate the disadvantageous quadripartite division of the country and the restrictions on its own sovereign power.

Austria, however, is unwilling to accept a treaty at the price of crippling economic or territorial concessions. The last discussions on Austria in London, May 1948, had been torpedoed by Soviet support of Yugoslav demands for the annexation of substantial portions of Carinthia and Styria and for reparations of \$150 million. Hopes that Russia would now abandon, or at least not insist on pressing the demands of Yugoslavia, following the Tito-Cominform split, were important considerations in the convening of the present conference.

### ***Tito on the Spot***

Yugoslavia, while somewhat modifying its objectives, presented its program in



London on February 24. This called for frontier rectifications, autonomy for Slovene Carinthia, "substantial reparations," and guarantees for Slovene minority rights outside the autonomous areas. The Western powers gave full support to Austria in rejecting most of these conditions, although the United States put forward a compromise proposal on March 3, suggesting four specific guarantees for the Slovene minority which, save for non-contiguous communities, does not constitute a majority even in southern Carinthia.

The Russian representative asked that Yugoslavia respond to this offer, perhaps in the expectation that a refusal to compromise would put the onus for frustrating the conference on Tito, while an agreement would cause disaffection in Yugoslavia, particularly among the Slovenes. Dr. Ales Bebler, the Belgrade spokesman, on February 10 took an uncompromising position and, according to some diplomatic observers, "tossed the ball back" to Moscow, forcing Russia to accept responsibility for concessions or for terminating the talks. Whether some face-saving compromise can still be found, or whether the conference is doomed, remains to be seen.

FRED W. RIGGS

*Soviet Russia and the Far East*, by David J. Dallin. New Haven, Yale University Press, 1948. \$5.00

A useful summary, written in textbook style, of the activities of the U.S.S.R. in Asia from 1931 to the present time, to be followed by a companion volume in the spring of 1949 covering Russia's Asiatic policy from 1860 to 1930. The value of this timely book, which reveals the continuity of Russia's nationalist policy despite ideological differences and political and economic changes, would have been enhanced if Mr. Dallin had given even a brief picture of the conditions in neighboring Asiatic countries which have facilitated Russian penetration in that area.

*Agrarian Unrest in Southeast Asia*, by Erich H. Jacoby. New York, Columbia University Press, 1949. \$4.00

In a period when the bonds of colonialism are rapidly dissolving, it becomes a matter of signal importance to understand the dynamics of a process so distressing to the imperial powers. Mr. Jacoby, an economist, who has made good use of four years in the Philippine Islands presents a carefully documented analysis of the agrarian situation in Java, Burma, Malaya, Indo-China, the Philippines and Siam. He gives contemporary pertinence to his study by an illuminating discussion of the relationship between the dislocation of traditional peasant economies and modern nationalist movements.

## News in the Making

*Israel and Trans-Jordan* signed a "complete and enduring" cease-fire agreement at Rhodes on March 11 as a prelude to further negotiations for a settlement in Palestine. Meanwhile, Israeli troops, consolidating positions in the Negeb desert, took control of the five-mile strip at its southern extremity on the Red Sea. This put the Israelis just across the Trans-Jordanian border from Aqaba where Britain is reinforcing a 1,000-man detachment sent there in January at the request of King Abdullah. . . . The charter of the *International Trade Organization*, drafted by delegates of fifty-four nations at Havana a year ago, is expected to go before Congress within a month. The Administration is to ask for a joint resolution ratifying the charter and approving United States membership. . . . The report of the *Joint Brazil-United States Technical Commission*, released by the State Department on March 10, may be the forerunner of a bilateral agreement providing guarantees for foreign capital investment in Brazil. Efforts to secure such agreement at the multilateral level have been unproductive. The mission, headed on the American side by John Abbink, is widely regarded as a pattern for surveys of underdeveloped areas elsewhere under Point Four of Truman's Inaugural Address. Its report stressed the need for balance between industrialization and agricultural development in Brazilian plans. . . . As the UN deadline of March 15 for the establishment of an *interim federal government in Indonesia* passed, conflicting reports from the Netherlands East Indies indicated that a stalemate has been reached. Dutch announcement of plans for a conference in The Hague on March 12 to set up the proposed interim regime had to be cancelled when both Indonesian federal leaders (Dutch-sponsored) and the UN Commission refused to co-operate unless the Republic of Indonesia be restored and permitted to participate. On March 13 the Dutch representative in the UN agreed to a Canadian proposal that preliminary talks with Indonesian leaders be held under the commis-

## Branch & Affiliate Meetings

\*PROVIDENCE, March 20-27, *12th Annual World Affairs Week*, Hilda Yen, Joseph C. Harsch, Sir Norman Angell, Roger N. Baldwin, Edwin M. Martin, Kumar Goshal, Ugo Carusi, John C. Ross, William A. Higginbotham, Raymond W. Logan and others

\*BOSTON, March 21, *Nationalism, Imperialism, Communism in Southeast Asia*, J. D. L. Hood, Charles Wolf, Jr.

\*BUFFALO, March 21, *U.S.—U.S.S.R.*, Harry Schwartz, John C. Best, William D. Hassett, Jeremiah D. Wolpert

PITTSBURGH, March 22, *The Soviet-American Future*, Quincy Howe

CINCINNATI, March 23, *Western Union*, John Wilmot and panel

PHILADELPHIA, March 24, *Asia's Revolt Against Colonialism*

DETROIT, March 25, *UNESCO or Fissco*, Malcolm Bingay, W. C. Trow

SHREVEPORT, March 25, *The Development of the Foreign Policy of France*, Hon. Lionel Vasse

HARTFORD, March 29, *What U.S. Policy for Spain and Portugal?*, Olive Holmes

SYRACUSE, March 29, *Arctic Diplomacy*, Hugh Keenleyside, Blair Bolles

UTICA, March 30, *World Plenty and Peace*, Blair Bolles

\*CLEVELAND, March 31, April 1, 2, *UNESCO Conference*, Milton S. Eisenhower, George V. Allen, Jaime Torres Bodet, Sir Sarvapalli Radhakrishnan

PHILADELPHIA, April 1, *United States Foreign Policy in the Mediterranean*, Francis Biddle, James Reston

\*Data taken from printed announcement

## Everyone is Asking

WHAT CAN THE UNITED STATES DO IN CHINA? For a lively discussion, based on first-hand information and long-time experience with Sino-American relations, READ the *Foreign Policy Report* on this subject by Gerald F. Winfield, John K. Fairbank and George E. Taylor.

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sion's auspices to discuss conditions for holding the proposed Hague conference later.

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